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Approved by:

Norval E. Francis

U.S. Mission to the European Union

Prepared by:

Yvan Polet

Report Highlights:

The livestock prices in New Member States (NMS) have benefited from accession in May 2004, especially in Poland and Hungary. The large price gap with EU-15 prices before accession immediately led to increasing exports of animals and meat to the EU-15. As a result, prices increased rapidly to similar levels as in the EU-15 by July 2004. EU-15 exports to NMS also increased. EU-25 pork production increased marginally, while consumption declined. This resulted in higher exports to Asia and Russia. Beef production also increased, because of higher slaughter in anticipation of the decoupling of slaughter premia for beef at the end of 2004. This slowed the increase in beef imports. Domestic consumption of pork, mostly in the NMS, and of beef, in the EU-15, decreased.

In 2005, production and consumption of beef and pork is forecast to decrease. Imports of beef will increase, as stocks are no longer available.

Includes PSD Changes: Yes
Includes Trade Matrix: No
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The following FAS colleagues in member states have actively contributed to this report:

Jolanta Andersone from FAS Riga
Xavier Audran from FAS Paris
Petra Choteborska from FAS Prague
Bob Flach from FAS The Hague
Michael Hanley from FAS Dublin
Steve Knight from FAS London
Roswitha Krautgartner from FAS Vienna
Hasse Kristensen from FAS Copenhagen
Asa Lexmon from FAS Stockholm
Sabine Lieberz from FAS Berlin
Alberto Menghini from FAS Rome
Andreja Misir, from FAS Zagreb
Ferenc Nemes from FAS Budapest
Leonor Ramos from FAS Lisbon
Piotr Rucinski from FAS Warsaw
Stamatis Sekliziots from FAS Athens
Wendell Dennis from FAS Washington

Executive Summary

With the largest expansion of the European Union (EU) in history, from 15 to 25 member states (MS), having taken place only eight months ago, the tremendous impact of it on agriculture, especially in the New Member States (NMS), is already becoming clear. In order to grasp these changes, for the purpose of this report, an in-depth revision of all data has been carried out for all 25 MS. For better coherence with livestock reporting from other parts of the world, new data in this report was calculated using FAS conversion rates for carcass weight, compared to EUROSTAT conversion rates in previous reports. This means that some apparent changes in market trends may only result from the improved quality of the statistical data or from the change in calculation methodology. Compiling credible data sets for some of the NMS is no easy task, as even the European Commission (EC) lacks them. This report offers most up-to-date data for EU cattle/beef and swine/pork markets, sourced from FAS offices, MS statistics, EUROSTAT¹ and FAO².

Enlargement in 2004 and the implementation of decoupling as part of the MidTerm Review in 2005 and beyond are most unusual events, with a huge impact on the European markets. Farmers and processors/traders attempt to exploit opportunities as they try to understand and adapt to the mechanics of the new (expanded) market situation. Farmers are still struggling to understand what decoupling means for their business in economical terms. The fact that decoupling is implemented differently, as well in a different year, between MS, leads to unusual market swings, as producers try to reap some extra (coupled) slaughter premia. Also see [New EU Common Agricultural Policy starts in some EU countries \(GAIN report E35001\)](#).

¹ http://europa.eu.int/comm/eurostat/newcronos/reference/display.do?screen=welcomeref&open=/&product=EU_agriculture_forestry_fisheries&depth=1&language=en

² <http://faostat.fao.org/faostat/collections?subset=agriculture>

Cattle

Country	EU-25					
Commodity	Animal Numbers, Cattle (1000 Head)					
	USDA Official [old]	Posts estimates [new]	USDA Official [old]	Posts estimates [new]	USDA Official [old]	Posts estimates [new]
Year	2003		2004		2005	
Market Year Begin	Jan-03		Jan-04		Jan-05	
Total Cattle Beg. Stks	89,185	88,704	87,638	87,478	86,305	86,200
Dairy Cows Beg. Stocks	24,507	24,450	24,053	23,965	23,685	23,550
Beef Cows Beg. Stocks	13,858	12,035	13,896	12,038	13,795	11,950
Production (Calf Crop)	31,344	31,849	31,130	31,640	30,820	31,240
Extra EU-25 imports	23	65	25	55	30	50
TOTAL SUPPLY	120,552	120,618	118,793	119,173	117,155	117,490
Extra EU-25 exports	460	475	395	435	225	400
Cow Slaughter	7,319	7,273	7,105	7,145	6,990	7,050
Calf Slaughter	6,038	6,177	6,000	6,080	5,965	6,030
Total Slaughter	29,653	29,848	29,545	29,720	29,250	29,040
Loss	2,801	2,817	2,548	2,818	2,440	2,650
Ending Inventories	87,638	87,478	86,305	86,200	85,240	85,400
TOTAL DISTRIBUTION	120,552	120,618	118,793	119,173	117,155	117,490

Sources: EU FAS offices

Cattle inventories and calf crop

Overall, EU cattle numbers remain in long term decline, largely due to the year-on-year two percent decline in the size of the dairy herd - milk yields continue to increase but milk production is constrained by quotas – while the beef cow number, although steady in 2004, is forecast down one percent in 2005 (the significant change in beef cow numbers from the old numbers are due because of a review of the defined categories in a few MS, not because of a major event). Notable exceptions to this overall trend are the Iberian countries where the sector remains buoyant and some expansion in the beef herd is expected in 2005, as Portugal obtained an extra yearly 90 thousand slaughter premium rights. Despite this, together with the cattle number, the total EU calf crop is also declining year-on-year and, consequently, slaughter is expected to fall both in 2004 and 2005.

Import

An increase in 2004 German imports from Romania did not compensate for the decline from Switzerland and although French cattle imports from Germany and The Netherlands were up sharply in 2004, this is not currently expected to be repeated in 2005. Of most interest in 2004 was the large increase in imports of calves into The Netherlands from Poland. Market sources indicate that price differentials between the two countries are such that The Netherlands' well-developed intensive rearing facilities have proved very attractive to Polish farmers. This trend is forecast to continue in 2005 as the necessary capital investment in Poland's booming livestock sector, where live cattle prices remain 25 to 30 percent below those in neighboring Germany, will take time.

Exports

Highlights include a 37 percent increase in extra-EU German exports in 2004, mainly due to increased business to Lebanon (for slaughter) and Algeria (for breeding) due to the lifting of BSE restrictions. France has been facing increasing competition from New Member States for its two key traditional destinations of Italy and Spain. Ireland is facing similar competition from NMS in its exports to third countries in the Middle East. These trends are expected to continue in 2005. Also, The Netherlands expects that its export to Italy of fattened calves of Polish origin will continue.

Cattle slaughter

The implementation of CAP reform is now being felt across the EU cattle sector. Those countries adopting the CAP reforms in 2005 are mostly de-coupling totally and include the major beef producers, namely Germany, the Irish Republic, Italy and the UK. With a few exceptions, Portugal and Denmark are also decoupling as of 2005. Prime cattle slaughter increased in many of these countries towards the end of 2004, reducing the year-on-year decline, as producers claimed the last of the slaughter premium payments under the old system. As such, the forecast slaughter in 2005 shows a more marked decline than would otherwise have been expected. The Benelux and Italy are exceptions to this, because of the large numbers of calves imported from Poland, which are fattened and slaughtered for veal. With only partial de-coupling being adopted in 2006 in France and Spain, the impact of CAP reform is delayed and expected to be diminished in these latter countries.

The ongoing implementation of the new support structure in much of the EU will also eventually see some age restructuring of the EU herd. As support to sustain high prices is being removed, cattle breeders will have to adjust production costs and it is expected that moving the calving period to spring will enhance grazing and lower feeding costs. However, in the short term, producers in most member states are generally waiting to see what will happen with the Single Farm Payment before making major production changes. In Germany, beef production is expected to decline sharply in 2005, partly as a result of lower support payments but also reflecting the higher number of animals slaughtered in 2004 following the low prices of 2003. In the UK, the Government has announced that the Over Thirty Month Scheme (OTMS) will come to an end in the "latter half of 2005" but since no date has been specified the forecasts exclude any production implications. In Poland, slaughter numbers will bottom in 2005, as farmers rebuild cattle herds after they sold out for cash upon accession.

Cattle calf crop production (Top 5 EU-25 member states) 1000Head

	2003	2004	2005
France	7268	6,980	6,900
Germany	4478	4,633	4,520
United Kingdom	3088	3,133	3,120
Italy	2700	2,700	2,700
Poland	2550	2,450	2,450

Poland is closely followed by the BeNeLux and Spain

Cattle slaughter (Top 5 EU-25 member states) 1000Head

	2003	2004	2005
France	5638	5,400	5,300
Italy	4210	4,250	4,270
Germany	3961	4,200	3,970
BeNeLux	2740	2,795	2,800
Spain	2763	2,740	2,765

BeNeLux: Belgium, The Netherlands and Luxembourg are treated as one market

Cattle exports (Top 5 EU-25 member states) 1000Head

	2003	2004	2005
Poland	161	145	145
Germany	104	134	130
Hungary	95	80	66
France	54	42	30
Ireland	37	7	10

Sources: EU FAS offices

Beef

Country	EU-25					
Commodity	Meat, Beef and Veal (1000 MT)					
	USDA official [old]	Posts Estimates [new]	USDA official [old]	Posts Estimates [new]	USDA official [old]	Posts Estimates [new]
Year	2003		2004		2005	
Market Year Begin	Jan-03		Jan-04		Jan-05	
Slaughter (Reference)	29,653	29,848	29,545	29,720	29,250	29,040
Beginning Stocks	238	238	39	59	14	0
Production	8,045	8,061	8,035	8,077	7,915	7,950
Extra EU-25 imports	517	463	525	485	535	550
TOTAL SUPPLY	8,800	8,762	8,599	8,621	8,464	8,500
Extra EU-25 Exports	437	388	410	350	370	300
TOTAL Domestic Use	8,324	8,315	8,175	8,271	8,084	8,200
Ending Stocks	39	59	14	0	10	0
TOTAL DISTRIBUTION	8,800	8,762	8,599	8,621	8,464	8,500

Sources: EU FAS offices

Beginning stocks

Beginning stocks in **2004**, which reflect official government stocks only, were revised upwards as these now also include stocks held by the Polish government. Favorable market conditions in 2004 allowed the European Commission to sell all beef stocks into the market. No stock building is anticipated in **2005**.

Beef production

Beef production in **2004** was higher than expected and higher than in 2003. Production increases were most prominent in Germany, Italy and the UK, and were only partially offset by declining production in France and Poland. Part of the production increase is due to

higher slaughter at the end of 2004 in those countries that start the decoupling or partially decoupling of slaughter and special premia at the beginning of 2005.

In **2005**, as a result of the CAP reform, most countries, with the exception of Spain, Portugal and Italy, expect stable or declining production.

Imports

Due to the change in conversion rates, trade data can only be compared with the new figures for the previous year and not with previous estimates. Imports from non-EU countries originated mainly from Argentina, Brazil and Uruguay in **2004**. These imports not only increased but an increasing share was imported above quota at full tariff. The highest increases were recorded in Germany, the Benelux and Denmark. In the Benelux, the higher extra EU-25 imports displaced imports from other EU member states. Despite recorded lower extra EU-25 imports, the UK still remained the single most important recipient of extra EU 25 imports.

In **2005**, the lower availability of beef on the internal market in combination with the aggressive marketing of South American beef, is expected to lead to an increase in extra EU-25 imports. On the internal market, the UK expects higher imports from the Iberian Peninsula and Poland.

Exports

Exports to extra EU 25 countries declined in **2004** compared to 2003 for a variety of reasons. A moderate increase in production in combination with lower EU intervention stocks meant more beef was needed to fulfill the internal demand. Also the high Euro exchange rate and strong competition from South American beef exporters reduced the competitiveness of EU beef on the world market. The main destinations for EU beef are Russia, Algeria, Tunisia and Morocco. From early 2004 on, Ireland, which used to be a substantial exporter outside the EU, including small quantities to Egypt, had to switch exports to other MS, mainly the UK, since these former markets have been taken over by South American suppliers. Exports from Germany to Russia and Turkmenistan decreased, but were offset by increased exports to Tunisia. French exports to Switzerland and Northern Africa declined, partly offset by doubled, albeit small, exports to Russia. While internal exports of Benelux veal to Italy have notably increased, the Benelux veal industry is at the same time looking for new extra EU 25 destinations for their product. The UK is still not allowed to export beef outside of the EU, despite all lobbying efforts to reduce its BSE risk status.

In **2005**, the lower production of beef on the internal market in combination with the strong competition from South American beef, is expected to lead to a decrease in extra EU-25 exports. Another factor that could contribute to a decrease in exports are the uncertainties in maintaining the trade with Russia as the new veterinary certificates Russia is requiring for EU exports into Russia, as of the beginning of 2005, still have to stand the practicability test.

Domestic consumption

Total domestic use, which includes commercial stocks, declined in **2004** in line with the long term trend of lower meat consumption. In Poland and other NMS consumption of beef is decreasing as a result of large exports and substantial price increases. In **2005**, domestic beef consumption is expected to further decline in line with the long-term trend.

Beef production (Top 5 EU-25 member states) 1000MT

	2003	2004	2005
France	1,598	1,540	1,520
Germany	1,224	1,290	1,225
Italy	1,128	1,145	1,150
Spain	703	710	715
United Kingdom	696	711	701

Beef consumption (Top 5 EU-25 member states) 1000MT

	2003	2004	2005
France	1,600	1,585	1,582
Italy	1,471	1,446	1,475
United Kingdom	1,273	1,270	1,290
Germany	895	925	915
Spain	627	682	685

Beef exports (Top 3 EU-15 member states) 1000MT

	2003	2004	2005
Ireland	87	100	90
Germany	90	90	80
Italy	34	38	38
Poland	65	32	28
France	23	32	35

Sources: EU FAS offices

Swine

Country	EU-25					
Commodity	Animal Numbers, Swine (1000 Head)					
	USDA official [old]	Posts estimates [new]	USDA official [old]	Posts estimates [new]	USDA official [old]	Posts estimates [new]
Year	2003		2004		2005	
Market Year Begin	Jan-03		Jan-04		Jan-05	
TOTAL Beginning Stocks	154,311	154,311	152,569	152,701	151,970	151,100
Sow Beginning Stocks	14,254	14,799	13,903	14,360	13,950	14,260
Production (Pig Crop)	257,272	254,218	254,500	251,000	256,370	252,100
Extra EU-25 imports	7	0	7	0	7	0
TOTAL SUPPLY	411,590	408,529	407,076	403,701	408,347	403,200
Extra EU-25 exports	404	271	300	320	320	310
Sow Slaughter	3,887	3,788	3,849	3,790	3,845	3,630
Total Slaughter	245,111	242,032	241,925	241,530	243,340	240,000
Loss	13,506	13,525	12,881	10,751	12,267	10,890
Ending Inventories	152,569	152,701	151,970	151,100	152,420	152,000
TOTAL DISTRIBUTION	411,590	408,529	407,076	403,701	408,347	403,200

Sources: EU FAS offices

Swine inventories

In **2004**, EU-25 ending stocks were reduced by one percent. Environmental restrictions continued to limit herd expansion in North Western Europe in **2004**, particularly in France, the Benelux and Denmark. The Belgian stock is shrinking due to a government purchase program, imposed to reduce manure production. The Dutch sector expects stricter manure regulations in 2006, increasing production costs for the farmer. In order to improve production conditions in Denmark, the Danish Parliament is now proposing a more liberal manure control system, which might allow larger pig production quotas to farmers who invest in advanced manure-handling technologies, but taxes on phosphorus in feed have been increased (Ec press release "[The Commission approves Danish introduction of a new tax on phosphorous in feed.](#)")

The overall trend of reduction in the EU-25, was mainly caused by reductions in the NMS pig herds. In 2004, Poland, which was among the key countries determining the developments in the EU-25 pig sector, reduced its inventories by 3.5 percent to 17.8 million head in response to the low pork prices and the high feed prices before the accession. This reduction is in line with the other main pig producing countries, which joined the EU last year, Hungary and the Czech Republic, with the exception that the Polish pig production is expected to recover strongly in 2005.

In **2005**, an expansion of the EU-25 ending inventories by about 0.9 million head to 152 million pigs is forecast. Increases are mainly expected in Poland, Denmark, Germany and Spain, partly offset by further decreases in the Benelux, France and Sweden.

Pig production

In **2004**, total EU-25 pig production declined by 1.2 percent, contrarily to developments in the EU-15, where pig production increased due to better profit margins in the second half of 2004 from increasing pork prices and declining feed prices. EU-15 pig production mainly increased in Denmark and Germany, while the UK is slowly recovering from fertility problems related to PWMS (Post-Weaning Multi-Systemic Wasting Syndrome). The Danish herd expanded further despite competition from non-EU countries and the high EURO/US\$ exchange. Pig production was reduced in the Benelux, France, Ireland, Italy and the Iberian Peninsula. In France production is trending down as smaller farmers are quitting.

Reductions in the NMS caused the overall reduction in the EU-25. Polish pig production declined seven percent to 23.6 million head as the natural pig cycle hit the bottom, but also in the Czech Republic, Hungary and Slovakia production slowed significantly.

During **2005**, overall EU-25 pig production is forecast to recover by 0.4 percent. The main reasons for the recovery are the rising pork prices and low feed prices as of the second half of 2004. Production is expected to increase mainly in Spain, Portugal, Denmark, the UK, Ireland and Poland. A continuing reduction of the pig production is anticipated in the Benelux, France and Italy, while German production is expected to swing back down also. Czech and Hungarian pig production is forecast to decrease further in 2005.

Pig imports

The EU sources no pigs from outside its borders. However, internal trade is quite important. In 2004, France increased imports of live hogs for slaughter from Spain, Germany imported more pigs for slaughter from Denmark and the Czech Republic, to substitute for Dutch pigs. Poland imported piglets from The Netherlands and Germany.

Pig exports

EU-25 exports of living pigs is rather small and mainly restricted to the Balkan countries. The main exporting countries are Hungary, the Czech Republic and Poland, but also The Netherlands and Germany export piglets to those countries. Intra-EU exports of piglets to Germany, Spain and Italy declined, mainly because of reduced availability of Dutch piglets. As a result, Danish export of piglets, mainly to Germany, increased.

Pig slaughter

In **2004**, EU-25 pig slaughter declined by 0.2 percent, as a result of higher slaughter in the EU-15 being widely offset by a reduction in the NMS. In the EU-15, pig slaughter decreased somewhat in Austria, France, the Iberian Peninsula and the British Islands. Slaughtering increased significantly in Denmark and Germany, but also in the Benelux and Italy, despite a lower production of piglets but as a consequence of lower piglet exports (The Netherlands), or higher imports (Italy). The Italian pig sector is mainly driven by a flourishing ham industry. In the NMS, the largest decrease in slaughter was recorded in Poland, but decreases were also registered in the Czech Republic, Hungary and Slovakia.

In **2005**, total slaughter is forecast to decrease further by about 0.6 percent causing an expansion of the EU-25 ending inventories by about 0.9 million head to 152 million pigs. It is anticipated that an important part of the elevated pig crop of 2005 will be slaughtered in 2006, especially in Poland, where EU approved processing capacity has been increased. An anticipated swing back in slaughter in Germany is not expected to be offset by increased slaughter in Denmark, Spain and the British Islands. Also, the strong recovery in Polish pig rearing is expected to be late to compensate for further declines in Czech and Hungarian slaughter in 2005.

Pig crop production (Top 5 EU-25 member states) 1000 Head

	2003	2004	2005
Germany	42,886	44,038	43,160
Spain	39,140	38,500	39,137
Benelux	33,000	32,600	32,400
France	26,605	26,391	26,300
Denmark	25,660	26,200	26,750

Benelux: Belgium, The Netherlands and Luxembourg are considered one market

Swine slaughter (Top 3 EU-15 member states) 1000 Head

	2003	2004	2005
Germany	45,373	46,700	46,000
Spain	38,180	37,900	38,000
Benelux	25,283	25,750	25,750
France	25,851	25,590	25,600
Denmark*	22,618	23,070	23,500

* Denmark slightly surpasses Poland

Swine exports (Top 3 EU-15 member states) 1000 Head

	2003	2004	2005
Hungary	160	142	145
Benelux	10	70	70
Germany	34	50	50
Poland	31	29	29
Czech Republic	17	13	10

Sources: EU FAS offices

Pork

Country	EU-25					
Commodity	Pigmeat (1000 MT CWE)(1000 HEAD)					
	USDA official [old]	Posts estimates [new]	USDA official [old]	Posts estimates [new]	USDA official [old]	Posts estimates [new]
Year	2003		2004		2005	
Market Year Begin	Jan-03		Jan-04		Jan-05	
Slaughter (Reference)	245,111	242,032	241,925	241,530	243,340	240,000
Beginning Stocks	121	121	58	24	26	0
Production	21,243	21,150	21,001	21,200	21,108	21,100
Extra EU-25 imports	22	30	18	26	18	25
TOTAL SUPPLY	21,386	21,301	21,077	21,250	21,152	21,125
Extra EU-25 exports	1,325	1,234	1,250	1,350	1,166	1,300
TOTAL Domestic Use	20,003	20,043	19,801	19,900	19,959	19,825
Ending Stocks	58	24	26	0	27	0
TOTAL DISTRIBUTION	21,386	21,301	21,077	21,250	21,152	21,125

Sources: EU FAS offices

Beginning stocks

EU pork beginning stocks result mainly from relatively short term – typically 3 to 6 months – Private Storage Aid (PSA) programs in wintertime. A PSA program was opened on December 22, 2003, which had attracted 23.7 thousand MT by January 7, 2004. No PSA was available at the end of 2004.

Pork production

Overall pork production will reportedly remain almost unchanged in 2004 and 2005, compared to 2003, with a small increase in 2004 and a decrease in 2005. Production in **2004** is expected to increase, despite a decrease in slaughter, as a result of higher carcass weights.

In the Benelux, pork production increased because a higher portion of the fattened hogs was slaughtered domestically. In Denmark, Germany and Italy, production is estimated to have increased by 10, 3 and 1.5 percent respectively in 2004. The UK produced more pork at the expense of bacon, while pork production decreased marginally in Austria, France and Ireland. In the NMS, the main pork production decreases were reported in Poland, Hungary and Slovakia.

In **2005**, increases in pork production in Denmark, Italy, the United Kingdom, and to a minor extent in France, Ireland and Spain, are forecast to increase in anticipation of higher pork

prices. Production in Germany is expected to somewhat decrease again, compared to 2004. Pork production in Poland is forecast to recover in the 2nd half of 2005, but that is not expected to offset further decreases the Czech Republic and Hungary.

Pork exports

In **2004**, pork exports, from the Benelux, Denmark, Germany, Spain and the United Kingdom, increased to Asia, mainly Japan and Hong Kong, and to Eastern Europe, mainly Russia and Romania, despite an increasingly unfavorable Euro exchange rate. Denmark's January to September pork exports to non-EU destinations were supported by Euro 13.2 million in EU export restitutions compared to Euro 27,000 in 2003. Exports to Asia increased because of higher demand for pork in response to the outbreak of Avian Influenza and the BSE scare. Increased EU exports to Russia substituted for lower imports from Brazil and Canada. Intra EU-25 trade also increased as markets were reshuffled due to the accession. Polish and Hungarian pork exports shifted away from Eastern Europe to the enlarged EU markets. Benelux, Danish, German and Spanish intra-EU exports have been increasing to Italy and UK, as well as to Hungary and Poland to replace their pork exports with high fat content pork for sausages.

For **2005**, extra EU-25 exports are forecast to decrease slightly again as a result of lower pork availability. Exports to Asia, after the lifting of the Japanese safeguard measures, will have to compete with pork from the U.S. and Canada. Uncertainties for 2005 EU exports are also related to future exports to Russia. Although the quota for EU for 2005 is increased slightly, it is doubtful that demand will result in increased exports, because of potential problems with the new veterinary certification and Polish pork processors struggling to get approval for export from Russian veterinary inspection services.

Domestic consumption

Consumption in the EU decreased slightly in **2004**, increasing in Germany and Greece (possibly from tourism to attend the Olympics) and decreasing in France and Iberia. Consumption is forecast to decline slightly further in **2005**, as a result of lower pork consumption in the NMS, mainly Poland and Hungary, in response to higher prices, and despite an expected increase in Italy.

Pig meat production (Top 5 EU-25 member states) 1000MT

	2003	2004	2005
Germany	4,238	4,365	4,340
Spain	3,190	3,170	3,180
Benelux	2,320	2,355	2,360
France	2,082	2,060	2,070
Denmark*	1,766	220	2,050

* Denmark slightly surpasses Poland

Benelux: Belgium, The Netherlands and Luxembourg are considered one market

Pig meat consumption (Top 3 EU-15 member states) 1000MT

	2003	2004	2005
Germany	4,385	4,470	4,470
Spain	2,910	2,835	2,840
Italy	2,269	2,275	2,309
France	1,992	1,949	1,943
Poland	1,566	1,567	1,533

Pig meat exports (Top 3 EU-15 member states) 1000MT

	2003	2004	2005
Denmark	436	490	500
Germany	151	200	190
Benelux	104	150	130
France	99	130	130
Poland*	234	100	60

* Poland slightly surpasses Spain

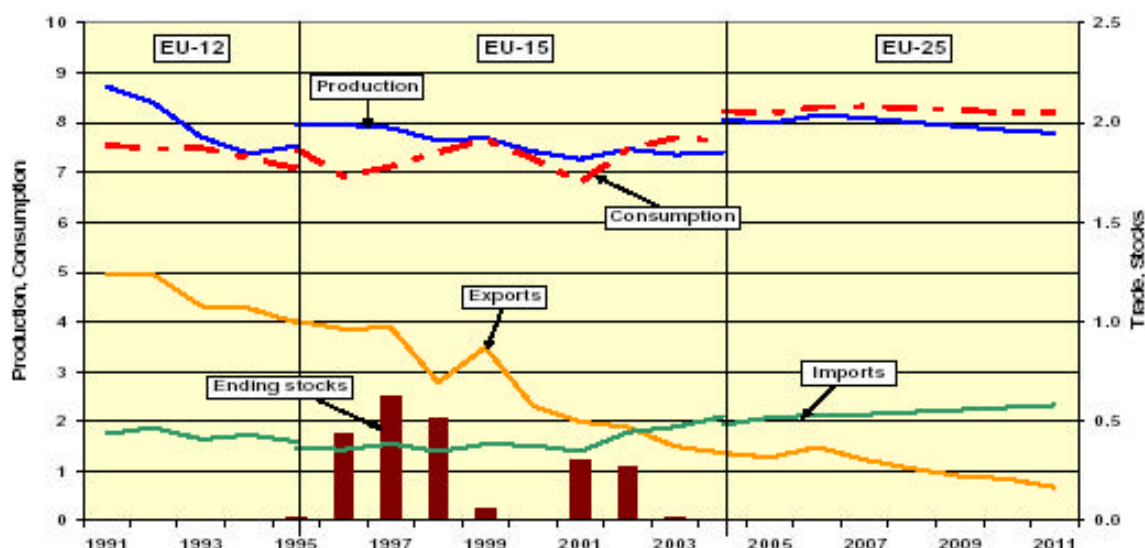
Sources: EU FAS offices

Policy and outlook

Cattle and beef

In its January05 study ["Prospects for agricultural markets and Income 2004-2011 - for EU-25"](#), Chapter I, page 30, the EC states: "It is estimated that in the period between 1996 and 2004 more than 8 mio animals were withdrawn in the framework of the slaughter schemes and around 6 mio calves were subject to emergency supply-side schemes" and "(This set of measures) has brought the total cow herd down by more than 2 mio animals in 4 years. All these factors had a profound impact on beef production which decreased by nearly 10 % between 1999 and 2003."

Graph 1.10 Outlook for the EU beef market (mio t), 1991-2011



After a small increase in production, in 2006, as a result of the probable phasing out of the Over Thirty Months Scheme in the UK, the European Commission expects a further decrease in beef production through 2011. This decrease in production is believed to result from destocking by beef producers as a result of decoupling and a further decrease in the dairy cowherd. Beef consumption is expected to remain stable until 2007-2008 and to decline only marginally afterwards. The EC believes this market situation will keep the beef price level relatively high over time, but some industry members remain skeptical because they believe imports will keep prices down. The same study projects exports to halve to 170 thousand MT at the end of this period, while imports should increase by 20 percent to 580 thousand MT. Surprisingly, the EC expects the same production trends in the NMS compared to the

EU-15. Beef consumption per capita in the NMS, at about 35% of consumption in the EU-15, is expected to slightly increase from 2006 on, while beef consumption in the EU-15 starts to slide. In ["Consumption trends for dairy and livestock products, and the use of feeds in production, in the CEE accession and candidate countries"](#) it is expected that the demand for beef in the NMS will also shift towards higher quality cuts.

Table A.9 Beef/veal market projections for the EU-25, 2002 – 2011 ('000 t cwe)

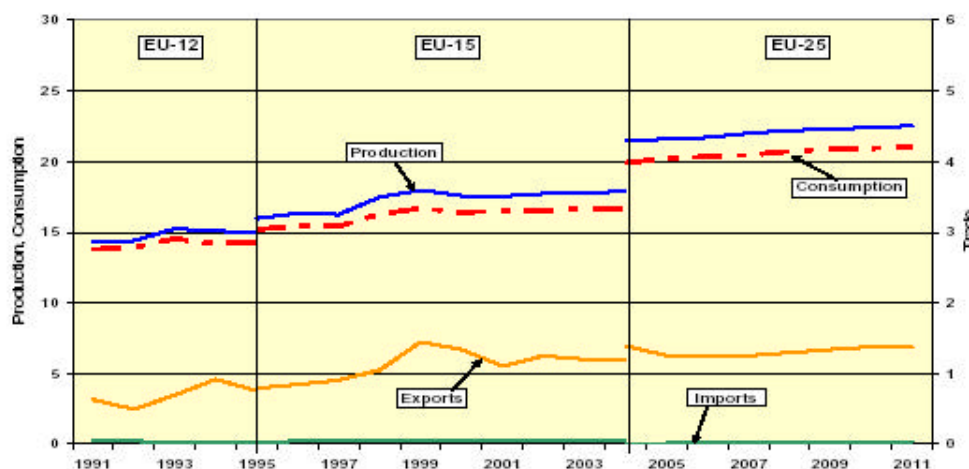
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Gross Indigenous Production	8 173	8 094	8 141	8 075	8 238	8 181	8 088	8 008	7 929	7 875
Live Imports	5	7	4	4	4	4	4	4	4	4
Live Exports	112	93	91	91	91	91	91	91	91	91
Net Production	8 065	8 008	8 053	7 988	8 150	8 093	8 001	7 920	7 841	7 788
EU 15	7 466	7 359	7 400	7 364	7 541	7 489	7 404	7 329	7 255	7 208
EU N10*	599	650	653	624	610	604	596	591	586	581
Import	424	440	481	520	530	536	546	557	568	581
Exports	522	391	340	320	371	308	262	226	211	170
Stocks changes	-43	-232	-34	0	0	0	0	0	0	0
Consumption	7 990	8 289	8 228	8 187	8 309	8 321	8 285	8 251	8 199	8 200
Per Capita Consumption	17.6	18.2	18.0	17.9	18.1	18.1	18.0	17.9	17.7	17.7
EU 15	19.6	20.1	19.9	19.8	20.0	19.9	19.8	19.6	19.5	19.4
EU N10*	7.1	8.0	8.1	7.9	8.3	8.4	8.4	8.4	8.5	8.5
Ending stocks (Intervention)	266	20	0	0	0	0	0	0	0	0

Source: Prospects for agricultural markets and Income 2004-2011 - for EU-25

Swine and pork

For pork, EC study ["Prospects for agricultural markets and Income 2004-2011 - for EU-25"](#), Chapter I, page 48, projects production increases from 21.2 million MT in 2004 to 21.5 Million MT in 2005, to 22.4 million MT by 2011. Consumption is expected to increase from 20.3 million MT in 2003, via a dip to 19.9 million MT in 2004, to 20.2 million MT in 2005, to 21.1 million MT in 2011. For pork, the EC assumes similar production increases in the EU-15 and the NMS, but a much faster consumption increase in the NMS. A shift in consumption in the NMS towards higher quality cuts is also expected for pork. As a result, marketable surplus would evolve over time from 1.4 million MT in 2004, down to 1.025 million MT in 2007 and back up to 1.4 million MT in 2011. This means overall trade patterns in pork will not change.

Graph 1.11 Outlook for the EU pig meat market (mio t), 1991-2011



As pork production was not subsidized in the past, MTR is not expected to impact pork production much. Environmental constraints will probably continue to impact on pig farming in the Benelux, Denmark and France (Brittany). New animal welfare legislation could also lead to some shifts in production areas.

Table A.10 Pig meat market projections for the EU-25, 2002 – 2011 ('000 t cwe)

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Gross Indigenous Production	21 195	21 475	21 192	21 499	21 589	21 711	22 005	22 212	22 294	22 441
Live Imports	0	0	0	0	0	0	0	0	0	0
Live Exports	26	17	20	20	20	20	20	20	20	20
Net Production	21 170	21 458	21 172	21 479	21 570	21 691	21 986	22 192	22 274	22 421
EU 15	17 730	17 793	17 886	18 027	18 013	18 056	18 229	18 354	18 358	18 452
EU N10*	3 440	3 666	3 286	3 452	3 557	3 635	3 756	3 838	3 916	3 969
Import	22	33	13	14	19	24	28	32	35	38
Exports	1 223	1 323	1 393	1 256	1 253	1 250	1 293	1 339	1 380	1 375
Stocks changes	25	- 135	- 90	0	0	0	0	0	0	0
Consumption	19 943	20 304	19 883	20 237	20 335	20 466	20 720	20 885	20 929	21 084
Per Capita Consumption	43.8	44.5	43.5	44.1	44.3	44.5	44.9	45.2	45.2	45.5
EU 15	43.4	43.7	43.3	44.0	44.0	44.1	44.4	44.6	44.6	44.8
EU N10*	46.0	48.5	44.2	45.1	45.8	46.5	47.6	48.2	48.3	48.9

Source: Prospects for agricultural markets and Income 2004-2011 - for EU-25

Evolution of agriculture in the NMS after accession

In a press release from December 17, 2004 titled "[Accession boosts farm income in new Member States by more than 50%, says Eurostat](#)"³, a first estimation of agricultural income announces a 53.8 increase in the NMS. A real increase in value of pork production of 7 percent is forecast, despite the strong rise in input costs. Probably the main factor was the substantial increase in the level of subsidies granted to the farm sector in the NMS following accession. Agriculture in the Czech Republic (+108 percent) and Poland (+74 percent) has reportedly benefited most (also see GAIN report PL4013 "Polish Farmer incomes After EU Accession" at <http://www.fas.usda.gov/gainfiles/200405/146106445.pdf>). Cattle prices in Poland and pork prices in Poland and Hungary, as an example, increased by 25 percent between May 1 and July 1, due to strong export opportunities to the old MS.

MidTerm Review implementation, animal welfare and environmental constraints

Decoupling of subsidies for beef production have the intention to eliminate the support of high prices and substitute aid for payments to sustain farmer's income (See publication "The meat sector in the European Union" at http://europa.eu.int/comm/agriculture/publi/fact/meat/2004_en.pdf). Expectations are that this will lead to a reduction in beef production. However, the possibility for member states to keep beef support programs partially coupled, will sustain beef production in least favorable area's, which would otherwise disappear.

Although CAP has no direct impact on pork production, decoupling of subsidies for cereals is likely to increase the competitive advantage of NMS, especially Poland and Hungary, for pork production because of the availability of cheap feed grains. This is anticipated to stimulate

³ <http://europa.eu.int/rapid/pressReleasesAction.do?reference=IP/04/1509&format=HTML&aged=0&language=EN&guiLanguage=en>

the growth in production and processing capacities, with focus on exports to the intra EU-25 market, as well as to the East.

New animal welfare regulations for pigs are to be implemented in new production facilities since 2003 and on all pig farms by 2013 (see "Animal Welfare on the Farm – Pigs" at http://europa.eu.int/comm/food/animal/welfare/farm/pigs_en.htm). While it is hard to understand what this will mean for production costs, it can be expected that new production facilities in the NMS will more easily implement these new rules than existing facilities. Similar advantages can be expected to meet environmental restrictions, which have caused so much pain on animal farming in some areas of the EU-15.

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